

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7548

BILL NUMBER: HB 1492

NOTE PREPARED: Jan 18, 2007

BILL AMENDED:

SUBJECT: Tax abatement for leased property.

FIRST AUTHOR: Rep. Leonard

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a property owner to apply for the economic revitalization property tax abatement when the property owner leases the property to a lessee who uses the property and employs the individuals necessary to receive the abatement.

Effective Date: January 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax. If there is an increase in investment because of this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill extends property tax abatement credits to a property owner who leases property in an abatement area to a lessee who uses the property and employs the individuals necessary to receive the abatement. Under current law, new manufacturing, research and development, and logistic equipment may qualify for property tax abatements. The abatement is equal to the property's AV multiplied by a percentage according to a schedule and are available for up to ten years. To obtain the abatement the taxpayer would file a deduction application with the county auditor who may approve, deny, or alter the amount claimed after considering the township assessor's recommendation. The county auditor's action would

be appealable.

If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. Until then, an increase in the value of abatements would reduce total AV causing a shift of part of the property tax burden from the abated taxpayers to all taxpayers via an increased tax rate.

When the property is placed on the tax rolls, this could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements could also cause a delay in the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision. The impact would depend on the number and value of new abatements that might be granted because of this proposal.

Total local revenues, except for cumulative funds, would remain unchanged. Until the property is placed on the tax rolls, the revenue for cumulative funds could be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County auditors; Township assessors.

Information Sources:

Fiscal Analyst: David Lusan, 317-232-9592.